



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

MEMORANDUM

To: Reporters and Editors
Re: Ernst & Young tax shelters agreement
Da: Wednesday, July 2, 2003

Sen. Chuck Grassley, chairman of the Committee on Finance, made the following comment on today's announcement by the Internal Revenue Service of an agreement with Ernst & Young, LLP, resolving issues relating to an examination of Ernst & Young's compliance with the registration and list maintenance requirements regarding the firm's marketing of tax shelters.

"Violating tax shelter rules shouldn't be a negotiable offense. That the IRS had to negotiate Ernst & Young's compliance underscores the need to pass the Grassley-Baucus shelter legislation. We expand the shelter registration and customer list requirements and establish stiff penalties for noncompliance.

"It shouldn't surprise anyone that Ernst & Young is so deeply involved in tax shelters. Unfortunately, Ernst & Young isn't alone. We continue to hear about tax shelters being promoted by other accounting firms, law firms, and investment banks. Ernst & Young distributed a video Webcast promoting corporate expatriations in the wake of the post-September 11th stock market slide. I just hope a \$15 million penalty is large enough to get their attention."